

Tafas v. Dudas: New Patent Rules Struck Down—Uncertainty Remains

By Jay Sandvos

Coup de grace. Proposed new rules affecting the examination of patent applications were struck down on April 1, 2008 by the Federal Court in the Eastern District of Virginia. In *Tafas v. Dudas et al.*, the district court held that the new rules exceeded the authority of the United States Patent and Trademark Office (“the PTO”) because they affected the substantive rights of patent applicants. The decision is available at <http://www.patentlyo.com/patent/law/TafasDudasOpinion.pdf>. The case is likely to be reviewed by the Court of Appeals for the Federal Circuit, which could ultimately side with the PTO on one or more of the issues, but the new court decision preserves for now the status quo of the patent examination process. For those outside the PTO, the status quo is an outcome far better than the burden, expense, and confusion that would have followed implementation of the new rules.

What the PTO wanted to do. Early in 2007, the PTO proposed new rules relating to the process by which patent applications are examined. In order to reduce its burdensome workload, the PTO proposed several changes:

- Limiting an original patent application to a total of two continuation applications and one Request for Continued Examination (RCE), the so-called 2+1 Rule. These are procedural devices that allow a patent applicant to continue to pursue patent claims beyond two Office Actions. Presently, there are no limits on the number of continuations and RCEs that an applicant may utilize.
- Limiting an original patent application to a total of five independent claims and 25 total claims as a matter of right, the so-called 5/25 Rule. An option to exceed those numbers was offered contingent on filing a complicated and burdensome Examination Support Document (ESD). Currently, there are no real limits on the number of claims that may be pursued in a given patent application and no requirement to file an ESD.
- Requiring patent applicants to identify all pending “related” patent applications and establishing a rebuttable presumption that the claims in such related applications were “patentably indistinct.” This requirement attempted to prevent circumvention of the 2+1 and 5/25 rules.

All of these changes were to have been applied retroactively with immediate effect on all pending patent applications.

The proposed rules were greeted with nearly universal dismay and seen as drastic unhelpful changes to the existing system. The consensus was that the new rules would greatly increase the burden and expense on patent applicants and severely constrict their ability to obtain patent protection. Hundreds of comments were filed in opposition to the new rules, and in response, the PTO finalized the rules in August 2007, proposing to implement them on November 1, 2007. Mr. Tafas filed suit in federal court claiming that the new rules exceeded the rulemaking authority of the PTO, with GlaxoSmithKline Beecham later joining Mr. Tafas as co-plaintiff. On October 31, 2007, the federal court issued a temporary restraining order preventing the PTO from implementing the new rules until the court could address the dispute.

Substantive Rule-Making Banned. Although several different legal issues were raised, the court addressed just one: whether or not the PTO possessed the legal authority to create and implement the new rules. The court held that the rules did exceed the legal authority of the PTO because they were “substantive” by virtue of significantly affecting the rights of patent applicants. Specifically, the new rules would have “shift[ed] the examination burden onto applicants” so greatly as to “constitute a drastic departure from the terms of the Patent Act as they are presently understood.”

What lies ahead. The question now is, what next? The answers lie along a probability spectrum between what is very likely and what is possible. It is possible that the PTO will appeal the decision to the Court of Appeals for the Federal Circuit, although the decision to appeal may depend on political considerations going beyond sentiments in the PTO itself. In the event of an appeal, the Federal Circuit will review the lower court decision *de novo*, meaning with no deference to the reasoning and opinion of the lower court. Such an appeal would likely require many months. Beyond that, there is still another potential level of appellate review by the Supreme Court, but by the time that would be available, a new administration will have succeeded to power and the new head of the PTO will be free to chart his or her own course for the US patent system. Congress, which is actively considering patent legislation, may choose to give to the PTO substantive rule-making authority, an action that would have the effect of short-circuiting the judicial process. More broadly, Congress is considering a spectrum of changes to the patent laws that could have a broad impact on the patent system as we know it.

The *Tafas* decision also points to various specific aspects of the new rules that the court found particularly objectionable. Potentially, the PTO could edit out the most problematic aspects of the new rules and try to implement a revised set of rules, but an early change of this nature in view of the breadth of the court decision is unlikely.

Patent Strategies to Address Risk of Change. Because rule changes still remain a possibility, effective patent strategies need to account for the risk of a change in the rules. Our advice in our [Update](#) in January remains applicable:

- Work to make patent prosecution compact and efficient so as to minimize the need for further responses and continuations.
- Use patent searches to learn the prior art. Compact patent prosecution can be much more easily implemented with pre-filing patent novelty investigations in hand. Knowing the prior art makes it easier to craft better and more focused patent applications.
- Where possible, develop focused applications directed to discrete technological areas; where focused applications are not feasible, develop claim sets that show clear distinctions among groups of claims, as well as a description that supports these distinctions.
- File Information Disclosure Statements as soon as possible to avoid potential rule changes and keep the prosecution up to date and ready for an allowance.
- Avoid filing unnecessary continuation applications and Requests for Continued Examination (RCEs) by maximizing the effectiveness of each response. Focus each

response on accurate claim coverage and clear explanations for allowability shaped by knowledge of the prior art. After a final office action, consider an appeal.

- But when RCEs and continuations (including continuations in part and divisionals) are useful for efficient prosecution, use them as early as possible. Use an RCE to get important prior art references or additional needed evidence on the record after a final rejection.

The bottom line is that while obtaining patent protection is as challenging as ever, it is not now suddenly drastically different. Going forward, patent prosecution strategies still must thoughtfully reflect the overall business needs of the patent applicant. And applicants still have to be cognizant of recent court decisions that continue to shape and define the patent system.